

DOCKET SECTION

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**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

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Docket No. R97-1

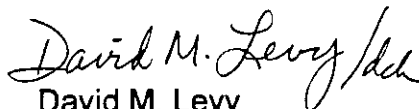
Postal Rate And Fee Changes, 1997

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI
TO INTERROGATORIES USPS/ANM-T1-35 THROUGH -40**

The Alliance of Nonprofit Mailers hereby provides the responses of its witness, John Haldi, to interrogatories USPS/ANM-T1-35 through -40. Each interrogatory is stated verbatim and followed by its response.

Respectfully submitted,

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February 10, 1998

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI TO USPS INTERROGATORIES**

USPS/ANM-T1-35. Please update the results of the survey you conducted on nonprofit Standard (A) mailers, to reflect survey responses that you received since completing your testimony.

RESPONSE

See Exhibit ANM-T1-1 (revised 2/9/98), filed separately today.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI TO USPS INTERROGATORIES**

USPS/ANM-T1-36. Please provide the information requested in USPS/ANM-T1-26, for the survey responses you received since completing your testimony.

RESPONSE

See Answer to USPS/ANM-T1-35, and objection filed on February 6, 1998.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI TO USPS INTERROGATORIES**

USPS/ANM-T1-37. Please confirm that some mailers mail both nonprofit and regular rate Standard (A) mail.

- (a) Do you consider it possible that some mailers could endorse pieces as regular rate when they intend to mail them at nonprofit rates?

RESPONSE

Only qualified nonprofit organizations can obtain a nonprofit permit and enter Standard A mail at nonprofit rates. I therefore assume that your reference to "some mailers" is to "some *nonprofit* mailers." With that clarification, yes, it is my understanding that during the course of a year some qualified nonprofit organizations will at various times enter Standard A mail at both the nonprofit and regular rate.

- (a) No. Mail entered with commercial "markings" or evidencing of postage must pay commercial rates.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI TO USPS INTERROGATORIES**

USPS/ANM-T1-38. Please indicate all bases for the statement you make in footnote 17 to your testimony, including any quantitative support you have.

RESPONSE

Footnote 17 notes that most nonprofit mail is believed to be entered with a preprinted indicia. That is a generalization formed after many years of experience working with nonprofit mailers, as well as observing mail that I receive personally from nonprofit organizations. As noted in the updated survey results, this generalization holds true.

Further, the Postal Service's Financial and Operating Statement for Accounting Period 13, PFY 1996, p. 5, shows the following for year-to-date revenue by source (millions):

Permit Imprint	\$12,796.0
Presorted First and Fourth Class/Permit Imprint	3,574.0

Year-to-date revenues for Periodicals and Standard A Mail, shown on page 3 of the same report, were as follows (millions):

Periodicals	\$ 1,989,683
Standard A	<u>12,162,717</u>
Total	\$14,152,390

Revenues from Permit Imprint thus amounted to approximately 90 percent of combined revenues from Periodicals and Standard A Mail—a fact which further supports my statement that most nonprofit Standard A mail (as well as most commercial Standard A mail) is entered with preprinted indicia.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI TO USPS INTERROGATORIES**

USPS/ANM-T1-39. What, in your opinion, are the characteristics of nonprofit Standard (A) letters that make their costs so much lower than regular rate Standard (A) letters (for example, USPS-LR-H-106, page 11-5, indicates that the unit cost for nonprofit is 4.6 cents, while the unit cost for regular rate is 5.3 cents)?

RESPONSE

First, as shown in Table 7 at page 26 of my testimony, nonprofit bulk mail weighs significantly less than commercial bulk mail. While the average weight shown there is for letters and non-letters combined, I nevertheless suspect that nonprofit Standard A letters weigh somewhat less than commercial Standard A letters. Lower weight results in less bulk, or less cube, which can reduce costs in all processing operations except individual piece sortation.

Second, while I do not have statistics on average haul for nonprofit and commercial rate Standard A mail, I suspect that much nonprofit mail is local mail, and that nonprofit Standard A mail has a shorter average haul, indicating less movement the postal network, with corresponding lower costs. (In general, more movement through the postal network increases handling, or mail processing costs.)

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS
WITNESS JOHN HALDI TO USPS INTERROGATORIES**

USPS/ANM-T1-40. Please refer to your testimony, at page 39, where you describe a situation where "nonprofit organizations may have prepared a mailing using nonprofit evidence of postage, only to have the Postal Service demand payment of the full regular rates before allowing the mail to be entered." Please estimate the costs to a nonprofit mailer in this circumstance, if he or she were required to provide proper evidence of postage prior to entering that mail.

RESPONSE

Under the circumstances described, the mail might be entered "under protest," in which case the mail would be processed and delivered with nonprofit evidence of postage, and its status with respect to rates and proper subclass category would be determined later.

Should the Postal Service require the nonprofit evidencing of postage to be changed to commercial rate, the mailer would have to (1) re-envelope the contents (which probably would be labor intensive and rather expensive) or (2) change the evidencing by covering the nonprofit evidencing with commercial rate bulk mail stamp or meter strip. This probably would be less costly than re-enveloping the mail, but would certainly increase the mailer's cost and delay entry somewhat.

A long run solution to the problem identified in my testimony may indeed include a requirement that mail entered at commercial rates bear commercial, not nonprofit evidencing of postage. The costs to nonprofit mailers of complying with such a rule will depend in large part on whether the Postal Service gives mailers adequate advance notice of the change.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

John Haldi

Dated: February 10, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

David M. Levy /
jdch

February 10, 1998